

108TH CONGRESS
1ST SESSION

H. R. 1162

To amend the Internal Revenue Service Code of 1986 to allow a deduction for certain distributions from a controlled foreign corporation to encourage companies to invest in worker hiring and training, infrastructure investments, capital investments, financial stabilization of the company, and research and development.

IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2003

Mr. SMITH of Washington (for himself, Mr. DOOLEY of California, Mr. MCINTYRE, Mr. TURNER of Texas, Ms. ESHOO, Ms. LOFGREN, Mr. REYES, Mr. COOPER, Mr. JOHN, Mrs. TAUSCHER, Mr. CASE, Mrs. MCCARTHY of New York, Mrs. JONES of Ohio, Mr. KIND, Mr. SCOTT of Georgia, Mr. BAIRD, and Mr. DAVIS of Florida) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Service Code of 1986 to allow a deduction for certain distributions from a controlled foreign corporation to encourage companies to invest in worker hiring and training, infrastructure investments, capital investments, financial stabilization of the company, and research and development.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Invest in America Act
3 of 2003”.

4 **SEC. 2. DEDUCTION BY UNITED STATES SHAREHOLDERS**
5 **FOR DIVIDENDS RECEIVED FROM A CON-**
6 **TROLLED FOREIGN CORPORATION.**

7 (a) IN GENERAL.—Subpart F of part III of sub-
8 chapter N of chapter 1 of the Internal Revenue Code of
9 1986 (relating to controlled foreign corporations) is
10 amended by adding at the end the following new section:

11 **“SEC. 965. DIVIDENDS RECEIVED DEDUCTION.**

12 “(a) GENERAL RULE.—In the case of a United
13 States shareholder, if such shareholder elects the applica-
14 tion of this section, there shall be allowed as a deduction
15 for the taxable year an amount equal to the excess of—

16 “(1) 85 percent of qualified distributions, over

17 “(2) the average of qualified distributions
18 amounts for the period of 3 taxable years (or the pe-
19 riod the taxpayer was in existence, if shorter) ending
20 in 2000, 2001, and 2002.

21 “(b) QUALIFIED DISTRIBUTION.—

22 “(1) IN GENERAL.—The term ‘qualified dis-
23 tribution’ means, with respect to a taxable year, the
24 sum of—

25 “(A) dividend (as defined by section 316),

26 and

1 “(B) the amount described in section
2 951(a)(1)(B),
3 received from a controlled foreign corporation during
4 the first taxable year of the shareholder ending after
5 90 days after the date of the enactment of the In-
6 vest in America Act of 2003.

7 “(2) EXCEPTION.—Such term shall not include
8 amounts described in section 951(a)(1)(A).

9 “(3) REQUIREMENT TO REINVEST IN UNITED
10 STATES.—No amount described in subparagraph (A)
11 or (B) of paragraph (1) shall be treated as a quali-
12 fied distribution for purposes of this section unless
13 such amount is reinvested in the United States pur-
14 suant to a plan approved by the president or chief
15 executive officer of the United States shareholder
16 prior to the distribution from which such amount is
17 derived and subsequently approved by the Board of
18 Directors (or management committee) of such
19 United States shareholder, which plan shall describe
20 expenditures to be made from such amount.

21 “(c) DISALLOWANCE OF FOREIGN TAX CREDIT.—

22 “(1) IN GENERAL.—For purposes of this sec-
23 tion, no credit shall be allowed under section 901 for
24 any taxes paid or accrued (or treated as paid or ac-
25 crued) with respect to the portion of the qualified

1 distribution allowed as a deduction under subsection
 2 (a) for the taxable year.

3 “(2) PORTION DETERMINED.—For purposes of
 4 paragraph (1), the portion of the qualified distribu-
 5 tion to which paragraph (1) applies shall be the
 6 amount which bears the same ratio to the credit al-
 7 lowed under section 901 (determined without regard
 8 to this paragraph) for the taxable year as such por-
 9 tion bears to the total qualified distributions for the
 10 taxable year.

11 “(d) TERMINATION.—Subsection (a) shall apply only
 12 to the first taxable year of a United States shareholder
 13 ending after 90 days after the date of the enactment of
 14 the Invest in America Act of 2003.”.

15 (b) ALTERNATIVE MINIMUM TAX.—Subparagraph
 16 (C) of section 56(g)(4)(C) of such Code is amended by
 17 adding at the end the following new clause:

18 “(v) SPECIAL RULE FOR CERTAIN DIS-
 19 TRIBUTIONS FROM CONTROLLED FOREIGN
 20 CORPORATIONS.—Clause (i) shall not apply
 21 to any deduction allowable under section
 22 965.”.

23 (c) CLERICAL AMENDMENT.—The table of sections
 24 for subpart F of part III of subchapter N of chapter 1

1 of such Code is amended by adding at the end the fol-
2 lowing new item:

“Sec. 965. Dividends received deduction.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to taxable years ending after the
5 date of the enactment of this Act.

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